Central Iowa Power Cooperative
A Touchstone Energy® Cooperative

BREAKING NEW GROUND 2018 ANNUAL REPORT

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The announced early closure of the Duane Arnold Energy Center creates challenges for our organization. But through new leadership, significant new investments in generation and the development of strategic processes and initiatives, CIPCO is breaking new ground.

We are strengthening our commitment to provide cost-effective, safe, and reliable energy to power our communities, state and economy. Far into the future.

MESSAGE FROM THE CEO

2018 was a year of coming together as an organization. Even in the face of adversity, we proved we have the people, resources and strategy to leverage change. As a result, we are positioned well to take advantage of emerging opportunities, including adding clean energy to our generation mix, while focusing on our fundamental purpose of delivering cost efficiency, service and reliability to our member systems and their consumer-members.

The major story of the year could easily have been the announcement that Alliant Energy and NextEra Energy will close Duane Arnold Energy Center (DAEC), in which CIPCO is a minority owner, in 2020 – 14 years ahead of the date through which it is licensed to operate. Instead, the nuclear facility's early closure became the catalyst for several other major stories that better define both the year just past and our future.

We are adding cost-efficient, locally-available resources to our generation portfolio on an unprecedented scale. Heartland Divide, our largest wind energy project came online in December. We contracted to purchase 100 percent of the facility's 103.5 MW output from owner NextEra Energy.* Because energy produced by the sun provides an excellent complement to wind energy, we announced plans to purchase the energy and capacity output from Wapello Solar, Iowa's largest solar project, a 100 MW facility in Louisa County scheduled to come online in late 2020.* In addition, we are repowering our Summit Lake Generating Station with 55 MW of efficient, natural gas-fired reciprocating engines to complement our expansion of wind and solar resources by providing dispatchable generation during times when the wind and sun are not producing electricity.

Our financial strength enables us to accomplish these successes while remaining one of the Midwest's low-cost cooperative energy providers. We are fortunate to be in a region that boasts robust energy resources at very attractive prices. In addition, we are able to expense much of Duane Arnold plant investments without significant impact to member rates. In fact, we project stable rates going forward.

The board, which represents many of our rural communities, worked with our leadership team and member CEOs to complete a strategic alignment process, identifying six key priorities.

Portfolio and Integrated Resource Plan. We will continue to drive toward a diverse resource portfolio, including both traditional and alternative resources, to ensure future competitiveness.

Financial Strength. We will manage our financial position and member rates to align with our financial strength objectives – including equity, capital credits and credit rating.

Competitive Rates. We will focus on maintaining competitive rates, while also targeting economic development opportunities and sending price signals reflective of the MISO market.

System Culture. We will promote a culture with members of transparency, trust and mutual respect, while actively supporting member success.

* All or some of the renewable energy credits associated with the generation may have been sold or may be sold in the future to other parties, or may be used to comply with future regulatory requirements.

Cost Management and Performance Culture. We will foster a culture of continuous improvement to optimize processes, pursue efficiencies and manage costs.

Wholesale Power Contract (WPC). We will consider flexibility that could be introduced into the WPC for the benefit of all members and allow CIPCO to fulfill its purpose.

In addition to this work, we've added significant new experience to our leadership team. It's a team that works well together – bringing expertise and a variety of perspectives to support each other, our departments and the organization. We're here to get things done. And we accomplished a great deal in 2018.

Clearly, we have much to do in the coming years. We aspire to be the low-cost cooperative provider of electricity in the Midwest and continue to improve our position. We want to be flexible in adapting to new technologies and renewable resources. We want to explore the evolving capabilities of batteries and energy storage. And we want to leverage our resources in ways to ensure our long-term competitiveness.

Through the efforts and collaboration of our members, directors, leaders and employees, we are confident we will continue to break new ground and build on CIPCO's purpose and legacy of cost efficiency, service and reliability.

Bill Cherrier
Executive Vice President and CEO

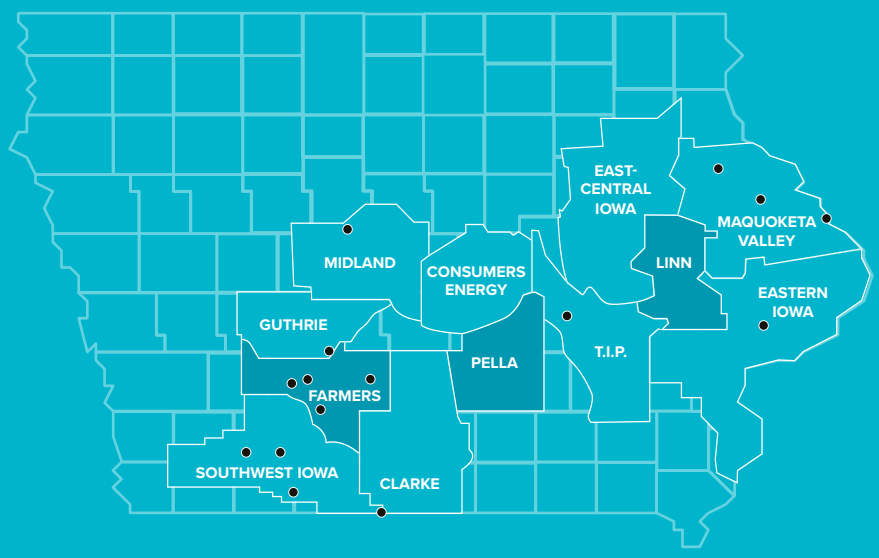
(l-r) **Bill Cherrier,** Executive Vice President & CEO; **Dan Burns,** VP Utility Operations; **Memorea Schrader,** Director Human Resources; **Andrew St. John,** VP CFO; **Dawn Sly-Terpstra,** VP Corporate Communications; **Paul Hofman,** VP Information Technologies; and **Dusky Terry,** VP Planning & Growth Strategies.

CIPCO
AT A GLANCE

Energy sales	3.04 million MWh
Operating revenue	$192 million
Net margin	$1.5 million
Total assets	$804 million
Average system rate	59.95 mills/kWh
Miles of transmission lines	1,927

Member systems territories

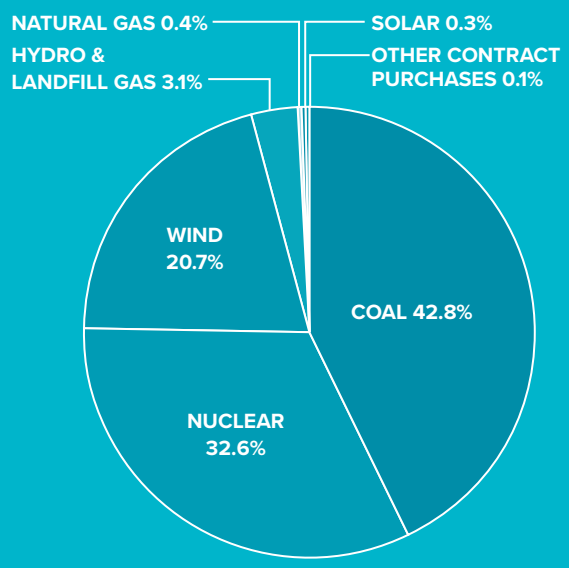
- South Iowa Municipal Electric Cooperative Association (SIMECA) member



A balanced portfolio of energy sources

CIPCO is committed to providing environmentally-friendly energy through a diverse mix of nuclear, wind, hydro, solar, landfill gas, natural gas, coal and oil energy resources.*

* All or some of the renewable energy credits associated with the generation may have been sold or may be sold in the future to other parties, or may be used to comply with future regulatory requirements.



Generation facilities

Hydroelectric

Western Area Power Administration

Wind

Hancock County Wind Energy Center, Garner

Story County Wind Energy Center, Colo

Elk Wind Farm, Greeley

Hawkeye Wind Farm, Hawkeye

Rippey Wind Farm, Grand Junction

Pioneer Grove Wind Farm, Mechanicsville

Heartland Divide Wind Energy Center, Audubon & Guthrie counties

Natural Gas & Oil

Summit Lake, Creston

Nuclear

Duane Arnold Energy Center, Palo

Coal

Louisa Generating Station, Muscatine

Walter Scott, Jr., Energy Centers #3 & #4, Council Bluffs

Landfill Gas

Linn County Solid Waste Agency, Marion

Solar

Clarke Solar Farm, Osceola

ZON VELD (Sun Field), Pella

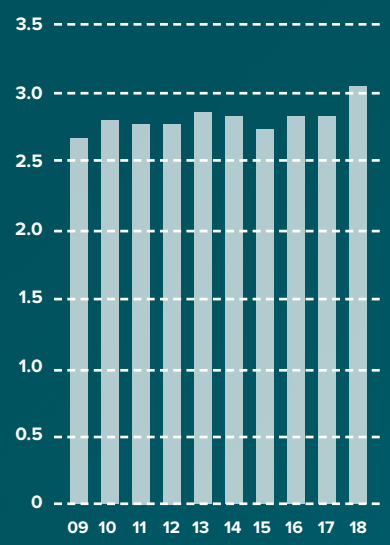
Marshalltown Gateway Centre Solar Array, Marshalltown

Urbana Solar Acres, Urbana

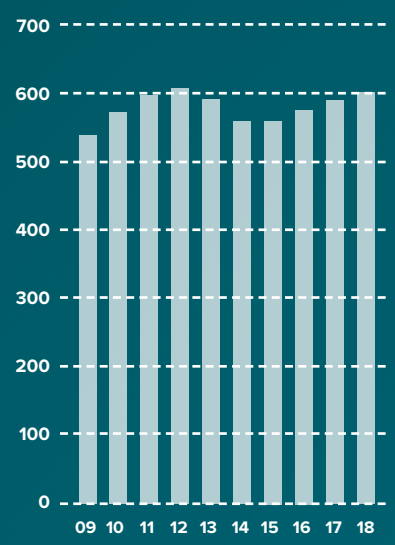
Eastern Iowa Solar, Wilton

Southwest Solar, Corning

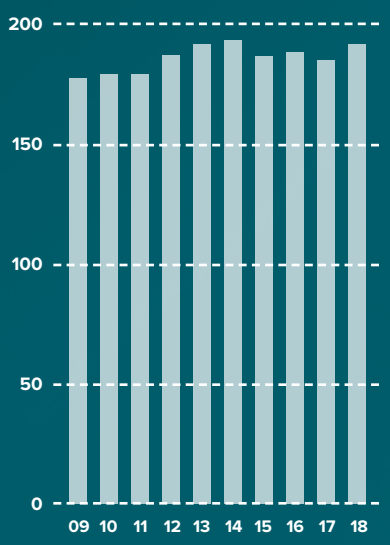
CIPCO
BY THE NUMBERS



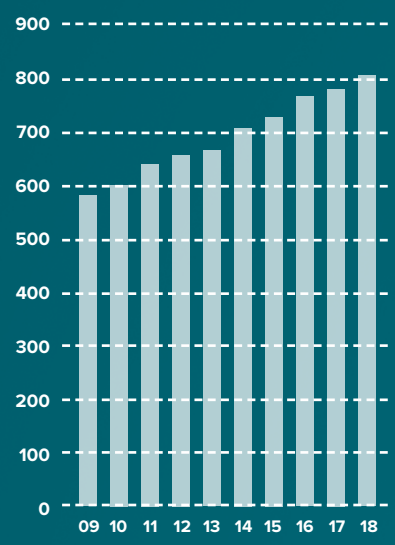
Energy Sales
in million MWhs



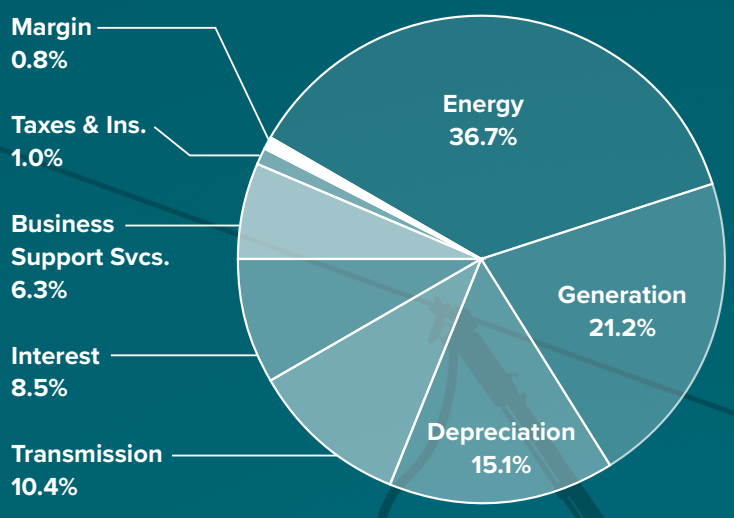
Total System Peak
in megawatts



Total Operating Revenue
$ in millions



Total Assets
$ in millions



Operating Expense
in percent

Throughout the organization, we manage expenses to optimize the services and value we provide to member cooperatives and their consumer-members.

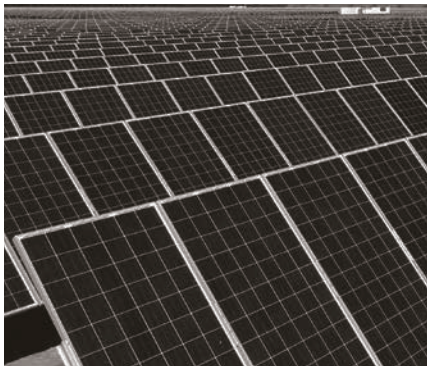
KEY STORIES OF 2018

NextEra Energy Resources and Alliant Energy announce early closure of Duane Arnold Energy Center in 2020

CIPCO is a 20 percent owner of the Duane Arnold Energy Center, Iowa's only nuclear generating facility, which provides 33 percent of our energy portfolio. Replacing this resource will not happen overnight, but we are already executing on an integrated plan to develop new, clean energy resources, with reliability and cost efficiency remaining long-term priorities. CIPCO is committed to achieving a net economic benefit for our consumer-members, who have funded this emission-free resource since 1974.

Heartland Divide, CIPCO's largest wind energy project, comes online in December

We are purchasing 100 percent of the 103.5 MW facility, delivering the resulting energy to consumers within our electric cooperative member system for the next 20 years. Developed by NextEra Energy Resources, Heartland Divide creates significant economic benefits for the region. The project is expected to provide more than $40 million in property taxes to Audubon and Guthrie Counties over its first 30 years of operation.



CIPCO announces plans for Iowa's largest solar project

CIPCO is working with Clēnera LLC to develop Wapello Solar, a 100 MW solar facility on nearly 800 acres in Louisa County. Scheduled for completion in late 2020, it will incorporate the latest in solar array technology to provide cost-effective energy. CIPCO will purchase 100 percent of its energy output and capacity for 25 years, while Clēnera retains the renewable attributes. Energy from Wapello Solar will be produced during our daily and seasonal peak demand times, providing an excellent complement to our wind energy resources.

Repowering Summit Lake Generating Station

In November, CIPCO announced a multi-phase $85 million investment to repower and modernize the 70-year old Creston generating plant with efficient natural gas-fired reciprocating engines by the end of 2020. The 55 MW project will add greater diversity to our energy and capacity portfolio. It complements our new wind and solar expansion with dispatchable, quick-start natural gas capacity when wind and sun are not producing electricity. The project also includes a new operations and dispatch center, as well as substation upgrades and retirement of the old 20 MW steam plant by 2022. At that time, the combined generating capacity of the new generators and two remaining gas-fired engines will be approximately 110 MW.

New-To-Replace-Old (NTRO) Program

To continuously improve reliability and quality of service, CIPCO began the NTRO program in 1986, with a goal to systematically reconstruct the original 34.5 kV subtransmission system. That work is nearing completion. In 1995, CIPCO expanded the program to include the 69 kV system. By January, 2018, nearly 650 miles of 34.5 kV line had been replaced with new 69 kV shielded type construction and more than 190 miles of 69 kV line had been replaced. NTRO work in 2019 will replace line originally constructed in 1974, plus we will rebuild nearly 20 miles of 161 KV per year. Together with new technology and sound operating and maintenance programs, NTRO helps ensure that our power supply system achieves the high degree of reliability our consumer-members expect.

Cooperative marketing program promotes “Savings with Staying Power”

With statewide marketplace changes in energy efficiency rebate programs, we saw the opportunity to show consumer-members the money-saving advantages of going electric with HVAC and water heating systems. We met with each member cooperative to gather input on key rebate programs, target audiences and communications tactics. With input from the Member Services committee, messaging was developed around smart electrification, fuel switching to energy-efficient electric, taking advantage of rebates and the stability of electric rates over time.

The resulting campaign, “Savings with Staying Power,” includes digital and print tools, radio scripts, emails, event displays, newsletter content and videos that can be tailored for use by member cooperatives. The campaign is already producing satisfying results, with evaluation and consideration planned for 2019.

Common Grounds and social media connect CIPCO Members

2018 fulfilled a commitment to engage with CIPCO members. *Common Grounds,* a monthly electronic newsletter published its first edition in August. The first member newsletter since 2003, *Common Grounds* covered member feature stories, CIPCO staff features, news and information within the national, state and local cooperative arena with direct impact on CIPCO and its members.

In addition, Facebook and Twitter were added as important tools to engage with members, their consumer-members, and the electric cooperative industry at large. Posts announcing major generation expansion news, feature stories from *Common Grounds,* and videos from EV Rider took the top spots as most viewed content.

Powering economic development

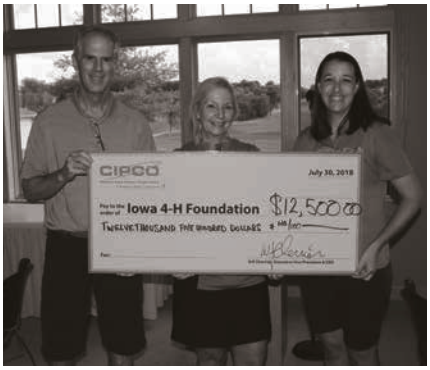
Over time, CIPCO has helped fund 57 rural development projects. More than $22 million in loans have been provided – creating or maintaining 1,047 jobs and spurring $127 million of additional capital investment in Iowa.

Some of the projects funded in 2018 include:

Automed
$2.4 million production and headquarters facility in Huxley, served by Consumers Energy

ProPulse
$1.75 million tilt-up concrete facility in Peosta, served by Maquoketa Valley Electric Cooperative

Crystal Freeze Dry
$4.76 million egg crystallization and pasteurization facilities in Panora, served by Guthrie County REC



Concern for Community: the heart of our corporate mission

In 2018, CIPCO supported local community nonprofit organizations and programs doing important work throughout our members' service territories. We partnered with CoBank to make a major gift of $10,000 to the St. Luke's Foundation for Rural Healthcare Grants. More than 15 charitable and civic organizations were supported during the year.

Our first annual Charity Golf Tournament raised $12,500 for the Iowa 4-H Foundation. More than 100 participants – including staff from member electric cooperatives and their key commercial accounts, member utilities, as well as CIPCO staff and business partners – took to the links at Legacy Golf Club in Norwalk to raise money on behalf of the Iowa 4-H Foundation. The event concluded with a dinner and remarks by Chuck Long, executive director of the Iowa Sports Foundation and former University of Iowa football standout.

BOARD OF DIRECTORS

The CIPCO Board of Directors is elected by local member boards.
Board members guide organizational decision-making.

Duane Ver Ploeg
Pella

Duane Armstead
Greenfield

Randy Rouse
Allerton

Roger Krug
Fairfax

Allen Albers
Secretary-Treasurer
Keystone

Gary Kester
Burlington

Paul Heineman
President
Ogden

SYSTEM MANAGERS

Jon Miles
CEO/General Manager
Pella Cooperative Electric Assn.,
T.I.P. Rural Electric Cooperative

Tim Larsen
Treasurer
SIMECA

David Opie
General Manager
Clarke Electric Cooperative

Terry Sullivan
CEO/General Manager
Linn County REC

Steve Marlow
CEO
East-Central Iowa REC

Kirk Trede
CEO
Eastern Iowa Light & Power

Marcel Fett
Audubon

Nicholas Hammes
Assistant Secretary-Treasurer
Sigourney

Mark Wampler
Slater

Dale Walkup
Redding

Gene Manternach
Cascade

Dan Westphal
Vice President
Bridgewater

Bill McKim
CEO
Midland Power

Cozy Nelsen
CEO
Guthrie County REC

Jim Kidd
General Manager
Consumers Energy

Phil Kinser
CEO/General Manager
Southwest Iowa REC

Jim Lauzon
CEO & EVP
Maquoketa Valley Electric Co-op

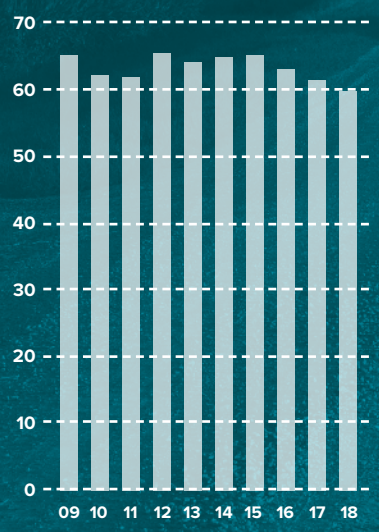
Charles Dunn
CEO & EVP
Farmers Electric Cooperative, Inc.

Financial strength: the engine that drives our success

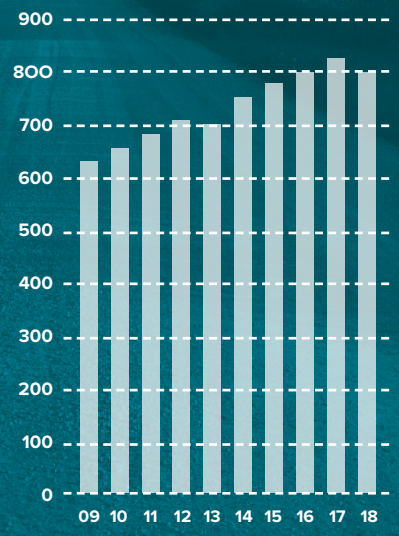
Debt Service Coverage
1.50

Margins for Interest
2.07

Equity to Assets
27.34%



Average System Rate
mills/kWh



Utility Plant Investment
$ in millions

CIPCO's ability to cost-effectively deliver safe and reliable electric service to our members is a direct result of our commitment to financial strength and stewardship. This commitment is recognized by our "A Rating, Stable Outlook" by S&P and Fitch Ratings. Our stable financial performance historically outperforms rating category peer medians and is achieved through sound financial policies and targets.

The benefit of our strong credit rating is realized through increased access to capital, lower borrowing interest rates and more favorable terms in negotiating power purchase agreements and other contracts. Recent rating affirmations support our plan to manage through change caused by the unexpected early closure of the Duane Arnold Energy Center (DAEC) and our forward-looking resource strategy.

DAEC's early closure highlights actions taken over many years to manage risk and mitigate the financial burden of early closure and decommissioning. Following the early closure announcement, the board authorized collection through future wholesale rates of an amount not to exceed the outstanding debt balance. CIPCO's investment in DAEC above the debt balance has been recorded as an impairment loss of $15.1 million, resulting in consolidated net margin of $1.5 million for 2018. This plan avoids a rate increase, maintains our financial strength and ensures cash flows are well managed to service debt.

Across the organization, CIPCO continued its trend of stable financial performance in 2018. For the year, energy sales grew 7 percent, primarily due to high weather-driven demand and modest increases in load. Operating revenue grew $6.7 million, compared to 2017. Our diverse supply portfolio and low energy market prices created savings, as 2018 purchase power energy and demand costs were below budget. Profitable investment exits and dividend income produced $2.6 million in subsidiary net margin, which helped improve consolidated results.

CIPCO's average system rate was 59.95 mills/kWh, a decrease of 1.65 mills or 2.7 percent below the 2017 average system rate – the lowest rate in more than 10 years. Since 2015, CIPCO's average rate to members has decreased more than 8 percent. In the rapidly changing energy industry, we continue to evolve and capture value.

Returning patronage capital is a fundamental component of our cooperative business model, and we continue to allocate substantially all of net margin to member patronage. In 2018, $11 million was returned to members. Since inception, CIPCO has returned more than $90 million in patronage to members.

CIPCO & Subsidiaries

FINANCIAL SUMMARY (in thousands)
(unaudited)

		2018	2017	CHANGE
OPERATIONS				
Operating revenue	$	191,784	185,051	6,733
Operating expenses and interest:				
Purchased power		40,480	40,617	(137)
Operations, maintenance and other		86,023	83,834	2,189
Business support services		11,628	12,006	(378)
Depreciation and amortization		27,938	22,058	5,880
Property and other taxes and insurance		1,501	1,413	88
Net interest charges		15,732	15,190	542
Total operating expenses and interest		**183,302**	**175,118**	**8,184**
Operating margin less net interest charges		8,482	9,933	(1,451)
Other income excluding noncontrolling interests		8,452	5,796	2,656
Income tax (expense) benefit		(336)	147	(483)
DAEC impairment		(15,118)	–	(15,118)
Net margin attributable to CIPCO	**$**	**1,480**	**15,878**	**(14,396)**
FINANCIAL POSITION				
Electric utility plant	$	826,902	860,974	(34,072)
Less accumulated depreciation and amortization		433,739	410,088	23,651
Net electric utility plant		393,163	450,886	(57,723)
Investments, notes receivable, and net non-utility plant		223,283	233,107	(9,824)
Current assets		92,431	85,523	6,908
Regulatory assets and deferred charges		94,910	12,756	82,154
Total assets		**803,787**	**782,272**	**21,515**
Total equity		219,539	235,606	(16,067)
Long-term debt, less current maturities		377,211	361,557	15,654
Current liabilities		40,459	43,075	(2,616)
DAEC decommissioning liability		159,009	134,295	24,714
Other liabilities		7,569	7,739	(170)
Total capitalization and liabilities	**$**	**803,787**	**782,272**	**21,515**

"As many of you know, we lost Mark Wampler, one of our board members suddenly on February 1. While he was on the board only a year, he quickly developed a keen understanding of the issues facing CIPCO and its members, influencing many of the board discussions. We will miss Mark on our board, but also his great knowledge of Iowa history, politics and people. Mark was a storyteller. He didn't just give you the facts. He added color to issues and history by giving us the real story."

Bill Cherrier – *Common Grounds,* Feb. 20, 2019

About Central Iowa Power Cooperative (CIPCO)
CIPCO is a generation and transmission electric cooperative built by member cooperatives and the communities they serve. With a balanced, 24/7 energy portfolio, CIPCO is committed to providing cost-effective, clean, safe, and reliable energy. CIPCO and its 13 members serve over 300,000 Iowans in 58 Iowa counties. CIPCO's offices are located in Des Moines, Cedar Rapids, Creston, and Wilton, Iowa. For more information visit www.cipco.net.

Central Iowa Power Cooperative
A Touchstone Energy® Cooperative

2018 FINANCIAL STATEMENTS

CENTRAL IOWA POWER COOPERATIVE AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Members of
Central Iowa Power Cooperative and subsidiaries
Des Moines, Iowa

We have audited the accompanying consolidated financial statements of Central Iowa Power Cooperative and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of revenue and expenses, comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Iowa Power Cooperative and its subsidiaries as of December 31, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 28, 2019

CENTRAL IOWA POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
ELECTRIC UTILITY PLANT—At cost:		
In service	$803,039,798	$827,335,355
Less accumulated depreciation	433,738,866	410,088,457
	369,300,932	417,246,898
Construction work in progress	8,219,719	16,248,189
Nuclear fuel—at cost less accumulated amortization of $38,100,818 in 2018 and $43,649,311 in 2017	15,642,765	17,390,817
Electric utility plant—net	393,163,416	450,885,904
RAILROAD AND NONUTILITY PROPERTY—Cost less accumulated depreciation and amortization of $2,266,201 in 2018 and $2,045,910 in 2017	6,427,702	7,010,445
INVESTMENTS AND NOTES RECEIVABLE:		
Investments in associated organizations and notes receivable—net	26,523,903	22,904,300
Decommissioning funds	119,514,423	129,315,471
Other investments	70,817,299	73,876,587
Total investments and notes receivable	216,855,625	226,096,358
CURRENT ASSETS:		
Cash and cash equivalents	11,980,303	13,952,765
Restricted cash	43,024,475	29,058,223
Accounts receivable, members	14,953,462	15,986,517
Notes and other receivables	5,920,595	5,963,999
Fossil Fuel, materials, and supplies	13,521,728	17,724,032
Prepaid expenses and interest receivable	1,232,388	1,098,531
Deferred charges	1,798,300	1,738,787
Total current assets	92,431,251	85,522,854
REGULATORY ASSETS AND DEFERRED CHARGES	94,909,658	12,756,385
TOTAL	$803,787,652	$782,271,946

(Continued)

CENTRAL IOWA POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2018 AND 2017

	2018	2017
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Members' equity:		
Membership fees	$ 1,400	$ 1,400
Patronage capital	85,328,516	82,003,829
Accumulated other comprehensive income	4,661,855	11,201,352
Other	129,157,713	142,009,962
Total members' equity	219,149,484	235,216,543
Noncontrolling interests in subsidiaries	389,297	388,951
Total equity	219,538,781	235,605,494
Long-term debt—less current maturities	377,210,734	361,556,699
Total capitalization	596,749,515	597,162,193
OTHER LIABILITIES:		
DAEC decommissioning liability	159,009,152	134,295,449
Other asset retirement obligations	7,191,280	7,292,671
Deferred income taxes	378,211	446,549
Total other liabilities	166,578,643	142,034,669
COMMITMENTS AND CONTINGENCIES	-	-
CURRENT LIABILITIES:		
Current maturities of long-term debt	20,579,345	24,224,381
Accounts payable	10,041,832	10,655,893
Accrued property taxes and other expenses	9,838,317	8,194,810
Total current liabilities	40,459,494	43,075,084
TOTAL	$803,787,652	$782,271,946

See notes to consolidated financial statements.

CENTRAL IOWA POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
OPERATING REVENUE:		
Electric:		
Energy sales	$182,089,771	$174,596,820
Wheeling revenue	6,283,170	6,911,962
Miscellaneous	2,331,632	2,188,641
Railroad and other	1,079,449	1,354,054
Total operating revenue	191,784,022	185,051,477
OPERATING EXPENSES:		
Purchased power	40,479,645	40,616,982
Operations:		
Production plant—fuel	27,284,492	25,437,906
Production plant—other	29,720,709	28,828,603
Transmission plant	15,741,833	15,013,414
Maintenance:		
Production plant	9,298,638	10,277,909
Transmission plant	3,341,735	3,476,605
Business support services	11,627,875	12,006,452
Depreciation and amortization	27,938,356	22,057,407
Property and other taxes and insurance	1,501,187	1,412,666
Other	635,963	799,768
Total operating expenses	167,570,433	159,927,712
Net operating margin	24,213,589	25,123,765
OTHER REVENUE (EXPENSE):		
Investment income	7,248,226	5,386,044
Other than temporary impairment of investments	(1,037,301)	(1,110,824)
Net unrealized gain on investments	558,919	1,719
Patronage capital allocations	1,324,657	1,494,915
Miscellaneous revenue	376,106	58,473
Total other revenue—net	8,470,607	5,830,327
Net margin before interest charges and income taxes	32,684,196	30,954,092

(Continued)

CENTRAL IOWA POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF REVENUE AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
INTEREST CHARGES:		
Interest on long-term debt	$ 15,957,985	$ 15,205,441
Allowance for borrowed funds used during construction	(226,234)	(15,078)
Net interest charges	15,731,751	15,190,363
Net margin before income taxes and impairment	16,952,445	15,763,729
INCOME TAX EXPENSE (BENEFIT):		
Current income tax expense (benefit)	404,279	(32,225)
Deferred income tax benefit	(68,339)	(115,014)
Total income tax expense (benefit)	335,940	(147,239)
DAEC IMPAIRMENT	15,118,132	-
NET MARGIN	1,498,373	15,910,968
NONCONTROLLING INTERESTS IN SUBSIDIARIES	18,346	34,105
NET MARGIN ATTRIBUTABLE TO THE COMPANY	$ 1,480,027	$ 15,876,863

See notes to consolidated financial statements. (Concluded)

CENTRAL IOWA POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
NET MARGIN	$ 1,498,373	$15,910,968
OTHER COMPREHENSIVE INCOME (LOSS):		
Available-for-sale securities:		
Unrealized holding net gain (loss) arising during the period (net of tax of $0 for 2018 and $0 for 2017)	(5,045,422)	7,359,142
Realized net gain reclassified to investment income (net of tax of $0 for 2018 and $0 for 2017)	(1,494,075)	(1,769,223)
Total other comprehensive income	(6,539,497)	5,589,919
COMPREHENSIVE INCOME	(5,041,124)	21,500,887
LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	18,346	34,105
COMPREHENSIVE INCOME ATTRIBUTABLE TO THE COMPANY	$ (5,059,470)	$21,466,782

See notes to consolidated financial statements.

CENTRAL IOWA POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Membership Fees	Patronage Capital	Accumulated Other Comprehensive Income	Other Equity	Noncontrolling Interests	Total Equity
Balance-January 1, 2016	$ 1,400	$ 76,216,494	$ 5,611,433	$ 142,518,825	$ 384,846	$ 224,732,998
Net margin	—	—	—	15,876,863	34,105	15,910,968
Other comprehensive income	—	—	5,589,919	—	—	5,589,919
Patronage capital paid	—	(10,598,391)	—	—	—	(10,598,391)
Patronage capital allocated	—	16,385,726	—	(16,385,726)	—	—
Distribution of earnings	—	—	—	—	(30,000)	(30,000)
Balance-December 31, 2017	1,400	82,003,829	11,201,352	142,009,962	388,951	235,605,494
Net margin	—	—	—	1,480,027	18,346	1,498,373
Other comprehensive loss	—	—	(6,539,497)	—	—	(6,539,497)
Patronage capital paid	—	(11,007,589)	—	—	—	(11,007,589)
Patronage capital allocated	—	14,332,276	—	(14,332,276)	—	—
Distribution of earnings	—	—	—	—	(18,000)	(18,000)
Balance-December 31, 2018	$ 1,400	$ 85,328,516	$ 4,661,855	$ 129,157,713	$ 389,297	$ 219,538,781

See notes to consolidated financial statements.

CENTRAL IOWA POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	$ 1,498,373	$ 15,910,968
Adjustments to reconcile net margin to net cash flows provided by operating activities:		
Depreciation and amortization	28,328,846	22,370,271
Amortization of deferred charges	2,223,937	2,744,935
Amortization of nuclear fuel	7,568,642	7,652,929
Patronage capital allocations not received in cash	(280,665)	(320,400)
Other than temporary impairments of investments	1,037,301	1,110,824
Realized net gain on disposal of investments	(3,374,795)	(2,769,387)
(Gain) loss on disposal of electric utility plant and nonutility property	(177,667)	38,611
DAEC impairment	15,118,132	-
Net unrealized gain on investments	(558,919)	(1,719)
Net gain from equity method investees	(60,517)	(35,866)
Distributions received from equity method investees	670,000	65,000
Decrease in receivables	1,104,498	2,232,303
Decrease in fossil fuel, materials, and supplies	4,202,304	2,859,640
Increase in prepaid expenses and interest receivable	(118,206)	(524,878)
Refueling outage and other costs deferred	(3,691,300)	-
Increase in accounts payable, accrued liabilities, and other liabilities	750,028	1,073,000
Deferred income tax benefit	(68,339)	(358,031)
Other	125,669	-
Net cash flows provided by operating activities	54,297,322	52,048,200
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to electric utility plant	(33,139,132)	(36,513,399)
Proceeds from the sale of electric utility plant and nonutility property	425,684	15,798
Purchases of investments—decommissioning and other investments	(60,994,098)	(73,810,509)
Sales of investments—decommissioning and other investments	56,216,329	74,051,276
Interest and dividend income reinvested	(1,072,182)	(853,440)
Purchases of nuclear fuel	(5,820,591)	(4,598,751)
Sales of investments in associated organizations	1,497,048	1,525,490
Increase in notes receivable	(400,000)	(100,000)
Net cash flows used in investing activities	(43,286,942)	(40,283,535)

(Continued)

CENTRAL IOWA POWER COOPERATIVE AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	$ (24,229,101)	$ (20,521,078)
Proceeds from long-term borrowings	3,138,100	40,973,000
Principal payments on line of credit	(95,000,000)	(127,100,000)
Proceeds from line of credit borrowings	128,100,000	116,200,000
Distribution of earnings	(18,000)	(30,000)
Patronage capital paid	(11,007,589)	(10,598,391)
Net cash flows provided (used in) by financing activities	983,410	(1,076,469)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	11,993,790	10,688,196
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—Beginning of year	43,010,988	32,322,792
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH—End of year	$ 55,004,778	$ 43,010,988
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 18,285,693	$ 15,327,209
Cash (refunds) payments for taxes	$ (50,006)	$ 41,853
Purchases of electric utility plant in accounts payable	$ 2,335,734	$ 2,106,380

See notes to consolidated financial statements. (Concluded)

1. ORGANIZATION

Central Iowa Power Cooperative (the "Cooperative") is a member-owned not-for-profit electric generation and transmission cooperative. It serves member electric service needs of twelve electric distribution cooperatives and one municipal electric cooperative association. The Cooperative's members serve rural and suburban areas located in 58 of Iowa's 99 counties in an area stretching 300 miles diagonally from northeast to central and southwest Iowa.

The Cooperative has two for-profit subsidiaries, CMA Ventures, Inc. ("CMAV") and CBEC Railway, Inc. ("CBEC") (collectively, the "Company"). CMAV is an Iowa investment company wholly-owned by the Cooperative. Its mission is to make strategic growth capital investments in the Midwest, with a preference for Iowa-based companies. CBEC is a rail spur providing dual rail access for coal deliveries to the Walter Scott Energy Center site in Council Bluffs, Iowa. The Cooperative's ownership interest in CBEC is 94%.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Cooperative and its subsidiaries in which it holds a controlling financial interest as of the financial statement date. Intercompany balances and transactions have been eliminated in the consolidated financial statements.

(b) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Regulatory Matters

The accounting records of the Cooperative are maintained in accordance with the uniform system of accounts prescribed by the Rural Utilities Service ("RUS"), the Cooperative's principal regulatory agency. The Cooperative is not subject to external rate regulation. Rates charged to members for electric service are established annually by the Cooperative's Board of Directors.

The Cooperative's utility operations are subject to the provisions of ASC Topic 980, *Regulated Operations* ("ASC Topic 980"), which provides that regulated entities record certain costs and credits allowed for in the rate making process in different periods than for nonregulated entities. For regulated entities, certain costs are deferred as

regulatory assets or revenues deferred as regulatory liabilities and are recognized in the consolidated statements of revenue and expenses at the time they are reflected in rates.

(d) Electric Utility Plant

The cost of renewals and betterments of units of property includes construction-related material, contract services, direct labor, applicable supervisory and overhead costs, and allowance for funds used during construction, and is charged to electric utility plant accounts. Expenditures for maintenance and repairs, including renewals of minor items of property (as distinguished from units of property), are charged to expense. Depreciation is provided on the basis of estimated useful lives at straight-line composite rates. At the time properties are disposed of, the original cost of depreciable units replaced or retired, plus cost of removal less salvage of such property, is charged to accumulated depreciation and no profit or loss is recognized in connection with ordinary retirements of electric utility property units.

(e) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed of

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Impairment charges of $15.1 million, and $0 were recognized during the years ended December 31, 2018 and 2017, respectively.

(f) Allowance for Funds Used During Construction

Allowance for funds used during construction (AFUDC) represents the cost, during the period of construction, of borrowed funds used for construction purposes. The composite rates used to calculate the AFUDC for 2018 and 2017 were approximately 4.0% and 3.2%, respectively.

(g) Nuclear Fuel

The cost of nuclear fuel, including AFUDC, is amortized to fuel expense on the basis of the number of units of thermal energy produced in relationship to the total thermal units expected to be produced over the life of the fuel. Fully amortized spent nuclear fuel is retired two years after it is removed from the reactor.

(h) Railroad and Nonutility Property

Railroad and nonutility property primarily consists of the net assets of CBEC, and is carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 34 to 44 years.

(i) Goodwill

Goodwill represents the excess of the purchase price over the fair value of CBEC's identifiable net assets acquired. The Company amortizes goodwill over a 10-year period. As of December 31, 2018 and 2017, Goodwill, net of accumulated amortization of $402,936 and $503,670, respectively, is recorded within Railroad and nonutility property on the consolidated balance sheets. Amortization of $100,734 has been recorded for 2018 and 2017. The Company performs a goodwill impairment evaluation only when indicators of potential impairment exist and, if necessary, will record an adjustment to the carrying value of its goodwill at that time.

(j) Investments

The Company determines the appropriate classification of investments in debt and equity securities at the acquisition date and re-evaluates the classification at each balance sheet date. Investments in marketable debt and equity securities are classified as available-for-sale and reported at fair value. All realized and unrealized gains and losses on investments within the decommissioning funds are included in the DAEC decommissioning regulatory asset. Net unrealized gains and certain unrealized losses relating to the Cooperative's other marketable securities are reported in members' equity until realized. Net realized and unrealized gains and losses on CMAV's investments are reported in the consolidated statements of revenue and expenses in accordance with accounting principles generally accepted in the United States of America for investment companies.

The Cooperative hires active portfolio managers in certain investment classes. These managers have discretion in regard to routine transactions to buy and sell individual securities within the portfolios they manage. Therefore, the Cooperative cannot assert the ability to hold individual securities under management with declines in fair value below cost for a period of time sufficient to allow for the anticipated recovery of fair value, which may be maturity. Unrealized losses for individual securities under management are deemed to be other-than-temporarily impaired irrespective of the size or duration of the unrealized loss. These losses are reflected in other-than-temporary impairment of investments in the consolidated statements of revenue and expenses.

Certain investments in privately held corporations and private equity funds are carried at cost and assessed for impairment annually.

The Company utilizes the equity method of accounting with respect to investments when it possesses the ability to exercise significant influence, but not control, over the investee. In applying the equity method, the Company records the investment at cost and subsequently increases or decreases the carrying value of the investment by the Company's proportionate share of the net earnings, losses, and dividends or equity distributions of the investee. The Company accounts for cash distributions received under the cumulative-earnings approach. Distributions are presumed to be returns on investment and classified as operating cash inflows to the extent cumulative distributions received do not exceed the Company's proportional share of cumulative equity earnings. Any excess is considered return of investment and classified as cash inflows from investing activities on the consolidated statements of cash flows.

(k) Fair Value of Financial Instruments

As defined by GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants in the principal market or in the most advantageous market when no principal market exists. Adjustments to transaction prices or quoted market prices may be required in illiquid or disorderly markets in order to estimate fair value. Nonperformance or credit risk is considered in determining fair value. It is the Company's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurements. Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(l) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of bank deposits and money market funds. The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

(m) Restricted Cash

Restricted cash represents funds restricted for future periodic principal and interest payments of long-term debt issued by the RUS or guaranteed by Federal Financing Bank ("FFB") in accordance with the Rural Electrification Act of 1936. Restricted cash is separately presented on its own financial statement line item within the consolidated balance sheets.

(n) Fossil Fuel, Materials, and Supplies

Fossil fuel (primarily coal), and materials and supplies are stated at average cost.

(o) DAEC Decommissioning Liability and Asset Retirement Obligations

The Cooperative recognizes asset retirement obligations ("AROs") when it has a legal obligation to perform decommissioning or removal activities upon retirement of an asset. The Cooperative's AROs relate to the decommissioning of the Duane Arnold Energy Center ("DAEC") and obligations associated with its other generating facilities. The fair value of an ARO liability is recognized in the period in which it is incurred, if a reasonable estimate of fair value can be made, and is added to the carrying amount of the associated asset, which is then depreciated over the remaining useful life of the asset. The Cooperative determines these obligations based upon detailed engineering calculations of the amount and timing of the future decommissioning cash spending for a third party to perform the required work. Cost estimates are escalated for inflation and then discounted at a credit-adjusted, risk-free rate. Subsequent to the initial recognition, the ARO liability is adjusted for any revisions to the original estimate of undiscounted cash flows (with corresponding adjustments to utility plant) and for accretion of the ARO liability due to the passage of time. Changes in estimates could occur for a number of reasons, including changes in laws and regulations, plan revisions, inflation and changes in the amount and timing of the expected decommissioning activities.

(p) Revenue Recognition

Revenue from energy sales is recognized when energy is delivered. Rates on energy sales are approved by the board of directors and designed to recover costs of service. Other operating revenue is recognized for wheeling, rent, railroad and other when services are performed.

(q) Accounting for Energy Contracts

The Cooperative has entered into long-term contracts to purchase energy and capacity from various wind, solar, and landfill gas generation sources. These contracts are settled by physical delivery, among other criteria, and are designated as normal purchase contracts as they qualify for the exception afforded by GAAP. Settled amounts are recognized as purchased power in the consolidated statements of revenue and expenses.

(r) Income Taxes

The Cooperative has received a tax determination letter from the IRS indicating it is exempt from federal and state income taxes under applicable tax laws. As such, the Cooperative is taxed only on any net unrelated business income under Section 511 of the Internal Revenue Code.

CMAV and CBEC are subject to income tax. Deferred income tax assets and liabilities are based on differences between the financial statements and tax bases of assets and liabilities using the estimated tax rates in effect for the year in which the differences are expected to reverse. Changes in deferred income tax assets and liabilities are included as a component of income tax expense. Valuation allowances are established for deferred income tax assets where management determines that realization is not likely.

(s) Recently Issued Accounting Standards Updates

In May 2014, the FASB issued ASU 2014-09, which creates ASC Topic 606, *Revenue from Contracts with Customers* and supersedes ASC Topic 605, *Revenue Recognition*. The guidance replaces industry-specific guidance and establishes a single five-step model to identify and recognize revenue. The core principle of the guidance is that an entity should recognize revenue upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additionally, the guidance requires the entity to disclose further quantitative and qualitative information regarding the nature and amount of revenues arising from contracts with customers, as well as other information about the significant judgments and estimates used in recognizing revenues from contracts with customers. In August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 one year to annual reporting periods beginning after December 15, 2018. During 2016, the FASB issued several ASUs that clarify the implementation guidance for ASU No. 2014-09 but do not change the core principle of the guidance. Early application is permitted for annual reporting period beginning after December 15, 2016. This guidance may be adopted retrospectively or under a modified retrospective method where the cumulative effect is recognized at the date of initial application. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which amends the guidance in GAAP on the classification and measurement of financial instruments. Although this ASU retains many current requirements, it significantly revises an entity's accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. This ASU also amends certain disclosure requirements associated with the fair value of financial instruments. This ASU is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. As permitted, the Company partially adopted this ASU effective January 1, 2018, which had no effect on the Company's consolidated statements of financial position or results of operations. Footnote 11 – Long-term debt and lines of credit – reflects partial adoption which no longer requires disclosures regarding the fair value of long-term debt. The Company is currently evaluating the impact of fully adopting this guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which creates ASC Topic 842, *Leases* and supersedes Topic 840, *Leases*. This guidance increases transparency and comparability among entities by recording lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the balance sheet a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous guidance. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted, and is required to be adopted using a modified retrospective approach. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, which amends ASC Topic 230, *Statement of Cash Flows*. The amendments in this guidance require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. As permitted, the Company early adopted this ASU effective January 1, 2018. This adoption has been applied retrospectively to all periods presented. Restricted cash is now included with cash and cash equivalents in the statement of cash flows. Adoption of ASU 2016-18 had no effect on the Company's consolidated statements of financial position or results of operations.

In August 2018, the FASB issued ASU No. 2018-13, which amends ASC Topic 820, *Fair Value Measurements.* The amendments include new, eliminated, and modified disclosure requirements. This guidance is the result of the broader disclosure project called FASB Concepts Statement, *Conceptual Framework for Financial Reporting — Chapter 8: Notes to Financial Statements* which is intended to improve the effectiveness of ASC Topic 820 disclosure requirements. This ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for any eliminated or modified disclosures. The Company is currently evaluating the impact of adopting this guidance on its consolidated financial statements.

3. DAEC EARLY CLOSURE

On July 27, 2018 NextEra Energy Resources ("NEER"), the majority owner and operator of DAEC announced its plans to cease commercial operations of DAEC in 2020 despite being licensed to operate until 2034. This announcement was made after reaching agreement to shorten the term of its power purchase agreement with the facility's primary customer, Alliant Energy, in exchange for a buyout payment. Furthermore, on January 18, 2019, NEER certified to the U.S. Nuclear Regulatory Commission ("NRC") of its plans to permanently cease power operations at DAEC in 2020. As a 20% minority owner, CIPCO was not involved in the decision to close the plant.

As a result of NEERs plans, CIPCO revised its estimated useful life of DAEC from 2034 to 2020. To address the financial impacts of early closure and maintain rate stability to members, CIPCO established the $50.5 million DAEC unrecovered plant regulatory asset which will be recovered through future wholesale rates beyond the date DAEC ceases generation operations. Establishment of the regulatory asset has been approved by the CIPCO Board of Directors and the RUS. A $15.1 million DAEC impairment charge was recognized which represents the carrying amount of DAEC that exceeds its estimated future cash flows.

4. ELECTRIC UTILITY PLANT IN SERVICE

The major classes of electric utility plant in service at December 31, 2018 and 2017 and depreciation and amortization for 2018 and 2017 are as follows:

	Cost		Depreciation and Amortization		Composite Depreciation Rates
	2018	2017	2018	2017	%
Production plant	$448,400,235	$495,146,395	$17,208,370	$12,458,521	3.10–3.88%
Transmission plant	328,804,932	307,462,333	8,439,720	7,774,996	2.75
Distribution plant	454,256	454,256	1,294	3,563	2.75
General plant	20,845,061	19,737,057	1,433,770	1,308,822	3.03–33.33
Intangible plant	4,535,314	4,535,314	340,256	176,939	4.00–10.00
Electric utility plant in service	$803,039,798	$827,335,355	$27,423,410	$21,722,841	

5. JOINTLY OWNED ELECTRIC UTILITY PLANT

Under joint facility ownership agreements, the Cooperative has undivided interests in jointly owned electric generating facilities with other utilities. The Cooperative accounts for its proportionate share of each facility, and each joint owner has provided financing for its share of each facility. Operating costs of each facility are assigned to joint owners based on their percentage of ownership or energy production, depending on the nature of the cost. The Cooperative's share of expenses associated with these jointly owned units is included in operations and maintenance expenses in the consolidated statements of revenue and expenses.

The following table provides the net balance recorded in the Electric Utility Plant in Service by facility at December 31, 2018:

Facility	Percentage Ownership	Capacity MW	Electric Utility Plant in Service—Net
DAEC	20.0 %	124	$ 9,406,251
Walter Scott Energy Center Unit No. 3	11.5	83	31,549,006
Walter Scott Energy Center Unit No. 4	9.5	78	81,849,193
Louisa Generating Station	4.6	34	12,183,036

6. INVESTMENTS AND NOTES RECEIVABLE

As of December 31, 2018 and 2017, investments and notes receivable consisted of the following:

	2018	2017
Investments in associated organizations and notes receivable:		
Capital term certificates	$ 5,229,782	$ 5,229,782
Investments in associated organizations	8,033,482	7,752,816
Notes receivable	13,260,639	9,921,702
	26,523,903	22,904,300
Decommissioning funds:		
Investments—decommissioning trust	62,335,498	69,452,335
Investments—internal decommissioning fund	57,178,925	59,863,136
	119,514,423	129,315,471
Other investments:		
Invested reserves	62,468,485	64,811,516
Equity in privately held corporations and funds	6,083,584	6,190,358
Equity method investments	2,265,230	2,874,713
	70,817,299	73,876,587
Total investments and notes receivable	$ 216,855,625	$ 226,096,358

Capital term certificates are issued by National Rural Utilities Cooperative Finance Corporation ("CFC") and currently bear interest at 3% to 5% maturing between 2020 and 2080. These investments are carried at original cost.

Investments in associated organizations consist primarily of memberships in other cooperatives. These investments are stated at cost, adjusted for patronage capital allocations. The patronage capital allocations are noninterest-bearing and mature based upon the granting cooperatives' policies.

Notes receivable consist primarily of economic development notes receivable of $13,260,639 and $9,921,701 at December 31, 2018 and 2017, respectively. The notes receivable have interest rates between 0% and 4.91% and have contractual maturity dates through November 2028. Management monitors the collectability of the notes receivable on an individual basis. Receivables are considered impaired when it is probable the

Company will be unable to collect all amounts due according to the contractual terms. Impairment loss of $124,679 and $0 were recognized during the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018 and 2017, the Company had established an allowance for doubtful accounts of $147,190 and $146,200, respectively, based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of note recipients to repay the amounts in accordance with the terms of the note agreements.

Decommissioning funds consist of a legally restricted external trust fund and an internally reserved fund. The Cooperative has established both funds for the decommissioning of the DAEC. Both funds consist primarily of U.S. domestic equities, international equities, REITs, mutual funds, private equity funds, and exchange traded funds, which are carried at fair value or NAV with realized and unrealized gains and losses included in the DAEC decommissioning regulatory asset.

Invested reserves consist primarily of U.S. domestic equities, international equities, REITs, mutual funds, government securities, and private equity funds, which are carried at fair value or NAV with net unrealized gains and certain unrealized losses reported in members' equity until realized.

Equity in privately held corporations and funds includes common and preferred stock of privately held corporations. These investments are carried at cost and assessed for impairment annually.

Equity method investments include holdings in privately held corporations in which the Company possesses the ability to exercise significant influence, but not control, over the investee. These investments are recorded at adjusted cost which includes the Company's proportionate share of the net earnings, losses, and distributions of the investee. These investments are assessed for impairment annually. If factors indicate that a decrease in value of an equity method investment has occurred that is other than temporary, an impairment is recognized even if the decrease in value is in excess of what would otherwise be recognized by application of the equity method. Impairment losses of $0 and $630,445 net of tax, were recognized in 2018 and 2017, respectively.

Available-For-Sale Securities—As of December 31, 2018 and 2017, investments classified as available-for-sale (including investments in equity securities that have readily determinable fair values and all investments in debt securities) within decommissioning funds and other investments consisted of the following:

	Available-for-sale Securities			
December 31, 2018	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Market Value**
Cash equivalents	$ 4,896,140	$ -	$ -	$ 4,896,140
Equities	127,398,449	15,211,240	(6,393,361)	136,216,328
Fixed income	17,349,637	177	(829,709)	16,520,105
Totals	$ 149,644,226	$ 15,211,417	$(7,223,070)	$ 157,632,573

December 31, 2017	Available-for-sale Securities			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Cash equivalents	$ 5,628,951	$ -	$ -	$ 5,628,951
Equities	126,003,330	27,020,555	(450,213)	152,573,672
Fixed income	14,876,729	211,086	(192,517)	14,895,298
Totals	$146,509,010	$27,231,641	$(642,730)	$173,097,921

Unrealized Losses—The following tables show the gross unrealized losses and fair value of the Company's investments with unrealized losses aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2018 and 2017:

December 31, 2018	Less than 12 Months			12 Months or Greater			Total		
	No. of Positions	Fair Value	Unrealized Losses	No. of Positions	Fair Value	Unrealized Losses	No. of Positions	Fair Value	Unrealized Losses
Equities	68	$ 33,778,480	$ (5,868,541)	6	$ 1,736,139	$(524,820)	74	$ 35,514,619	$ (6,393,361)
Fixed income	8	9,767,644	(417,289)	5	5,896,210	(412,420)	13	15,663,854	(829,709)
Totals	76	$ 43,546,124	$ (6,285,830)	11	$ 7,632,349	$(937,240)	87	$ 51,178,473	$ (7,223,070)

December 31, 2017	Less than 12 Months			12 Months or Greater			Total		
	No. of Positions	Fair Value	Unrealized Losses	No. of Positions	Fair Value	Unrealized Losses	No. of Positions	Fair Value	Unrealized Losses
Equities	21	$ 5,614,541	$(227,565)	8	$ 2,812,067	$(222,648)	29	$ 8,426,608	$(450,213)
Fixed income	3	156,370	(73,140)	4	5,951,358	(119,377)	7	6,107,728	(192,517)
Totals	24	$ 5,770,911	$(300,705)	12	$ 8,763,425	$(342,025)	36	$ 14,534,336	$(642,730)

In evaluating for other-than-temporary impairment, the Company considers its intent and ability to hold these investments for a period of time sufficient to allow for the anticipated recovery in the fair value of these investments, which may be maturity, the severity of the decline, and the length of time and extent to which fair value has been below cost. The Company does not consider these investments to be other-than-temporarily impaired as of December 31, 2018 and 2017.

7. FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurement* ("ASC Topic 820") establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Classification of a financial asset or liability within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels of the fair value hierarchy are as follows:

Level 1—Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3—Unobservable inputs reflect the Company's judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. The Company develops these inputs based on the best information available, including the Company's own data.

Transfers between levels within the fair value hierarchy occur when there is a change in the observability of significant inputs. This may occur between Level 1 and Level 2 when the availability of quoted prices changes, or when market activity significantly changes to active or inactive. A transfer between Level 2 and Level 3 generally occurs when the underlying inputs become, or can no longer be, corroborated with market observable data. The Company's policy is to recognize all transfers at the end of each reporting period.

Description of the valuation methodologies used for instruments measured at fair value on a recurring basis are set forth below:

Cash and Cash Equivalents—The carrying amounts approximate fair value because of the short-term nature of these instruments.

Mutual Funds, Equities, and Exchange Traded Funds—The fair value of available-for-sale securities is based on quoted market prices from an active exchange or from an active dealer market. All of these investments are classified in Level 1.

Government Securities—Bonds are often traded in less active markets with fair values based on quoted prices for similar assets and in active markets or quoted prices for identical or similar assets or liabilities in markets that are not active. As such, these investments are classified in Level 2.

Private Equity and Hedge Funds—The fair value of the Company's investments in limited partnership private equity and hedge funds represents the value of its NAV as reported by the fund managers. Valuations utilize financial information supplied by the general partner of each limited partnership and are net of management fees and incentive allocations pursuant to the limited partnership's applicable agreements. Due to the inherent uncertainty of valuation, the value of the Company's investments in limited partnership private equity and hedge funds may differ significantly from the values that would have been used had an active market for the investments held by the Company been available.

The following tables present assets that are measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	Total	in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 4,896,140	$ 4,896,140	$ -	$ -
Mutual funds:				
Domestic equities	-	-	-	-
International equities	29,079,713	29,079,713	-	-
Fixed income	16,408,200	16,408,200	-	-
Equities:				
Domestic	62,238,077	62,238,077	-	-
International	16,950,055	16,950,055	-	-
REITs	7,170,525	7,170,525	-	-
Exchange traded funds	20,777,958	20,777,958	-	-
Government securities	111,905	-	111,905	-
Subtotal	157,632,573	$ 157,520,668	$ 111,905	$ -
Private equity and hedge funds measured at net asset value	24,350,335			
Total	$ 181,982,908			

	Fair Value Measurements as of December 31, 2017			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 5,628,951	$ 5,628,951	$ -	$ -
Mutual funds:				
Domestic equities	-	-	-	-
International equities	31,255,808	31,255,808	-	-
Fixed income	14,730,509	14,730,509	-	-
Equities:				
Domestic	67,143,068	67,143,068	-	-
International	16,015,173	16,015,173	-	-
REITs	15,443,412	15,443,412	-	-
Exchange traded funds	22,716,211	22,716,211	-	-
Government securities	164,789	-	164,789	-
Subtotal	173,097,921	$ 172,933,132	$ 164,789	$ -
Private equity and hedge funds measured at net asset value	21,029,066			
Total	$ 194,126,987			

Liquidity Restrictions—Certain alternative investments are less liquid than the Company's other investments and are generally accessed via limited partnerships, limited liability corporations, and private equity and hedge funds. There is generally no readily determinable fair value for alternative investments, though certain funds may invest in securities for which there is a public market. These investments are subject to varying degrees of liquidity restrictions. The following table summarizes these investments by investment strategy as of December 31, 2018 and 2017:

Alternative Investment Strategy	2018	2017	Redemption Frequency	Redemption Notice Requirements
Private equity and hedge funds	$ 7,655,834	$ 7,666,719	Allowed quarterly	Varies from 30–95 days
Private equity and hedge funds	3,116,643	2,987,515	Allowed at least annually	90 calendar days plus 5 business days
Private equity and hedge funds	13,577,858	10,374,832	No contractual liquidity	No contractual liquidity
Total private equity and hedge funds measured at net asset value	$24,350,335	$21,029,066		

Investments in private equity and hedge funds are assumed to have no contractual liquidity if agreements do not permit redemptions through the term of the fund or when redemptions may be accepted periodically at the sole discretion of fund advisors. As of December 31, 2018, investments that do not permit redemptions have fund term dates extending through 2027.

8. DAEC DECOMMISSIONING LIABILITY AND OTHER ASSET RETIREMENT OBLIGATIONS

DAEC Decommissioning Liability—The Cooperative has recognized an ARO for its 20% ownership share of the estimated cost to decommission DAEC. Estimated costs are based upon the site-specific study costs for license termination, spent fuel and greenfield activities. The Cooperative's funding method is designed to accumulate decommissioning funds sufficient to cover the Cooperative's share of decommissioning costs. The total fair value of investments reserved as decommissioning funds totaled $119,514,423 and $129,315,471 at December 31, 2018 and 2017, respectively. The Cooperative assesses the method of funding annually and will make additional contributions to the decommissioning funds as necessary to ensure the investments are sufficient to fund the decommissioning.

Other Jointly Owned Generation Facilities—The Cooperative has recognized other ARO liabilities for its ownership share of jointly owned generation facilities. These obligations pertain to coal-combustion byproducts from the operation of coal-fueled generating facilities, including requirements for the operation and closure of surface impoundment and ash landfill facilities. Estimated costs are based upon detailed engineering calculations of the amount and timing of future cash spending for a third party to perform the required work.

Fair Station Generating Facility—Fair Station generating facility was shutdown in November 2013 and the process to return the generating site to a green-field state was completed in 2015. The ARO relating to post-closure activities and monitoring of the ash ponds located on the site had a balance of $431,721 and $459,222, which is recorded in Other AROs, as of December 31, 2018 and 2017, respectively.

The following table reconciles the beginning and ending balances of the DAEC decommissioning liability and other AROs for the years ended December 31, 2018 and 2017:

	2018		2017	
	DAEC Decommissioning Liability	Other AROs	DAEC Decommissioning Liability	Other AROs
Balance—January 1	$ 134,295,449	$ 7,952,748	$ 141,562,785	$ 6,775,522
Additions	-	-	-	-
Settlements	-	(538,554)	-	(293,533)
Revision of estimated cash flows—net	17,969,177	265,976	(15,761,103)	1,470,759
Accretion	6,744,526	-	8,493,767	-
Balance—December 31	$ 159,009,152	$ 7,680,170	$ 134,295,449	$ 7,952,748

The balance of Other AROs in the table above includes $488,890 and $660,077 at December 31, 2018 and 2017, respectively, of asset retirement obligations expected to settle in the next twelve months. The amount expected to settle in the next twelve months is reflected in Accrued Property Taxes and Other Expenses on the consolidated balance sheets as of December 31, 2018 and 2017.

9. REGULATORY ASSETS AND DEFERRED CHARGES

At December 31, 2018 and 2017, regulatory assets and deferred charges consists of the following:

	2018	2017
Deferred charges		
Deferred refueling costs	$ 1,798,300	$ 1,738,787
Regulatory assets and deferred charges		
DAEC decommissioning	$42,988,590	$ 8,473,839
DAEC unrecovered plant	50,513,218	-
DAEC deferred depreciation	-	4,282,546
Deferred refueling costs	1,407,850	-
	$94,909,658	$ 12,756,385

Deferred Refueling Costs—Deferred charges consist principally of costs associated with refueling outages at DAEC. These costs are amortized to expense based on the estimated generation of the next fuel cycle, which corresponds to the period the Cooperative recovers such costs in its rates.

DAEC Decommissioning—The Cooperative has recorded a regulatory asset related to the DAEC decommissioning liability. This regulatory asset is the difference between the decommissioning liability and the fair value of investments designated as decommissioning funds.

DAEC Unrecovered Plant—To address the financial impacts of DAEC early closure and maintain rate stability to members, the Cooperative established a regulatory asset which will be recovered through future wholesale rates beyond the date DAEC ceases generation operations. The regulatory asset will be amortized on a straight-line basis over an 8-year period commencing upon plant closure through December 2028.

DAEC Deferred Depreciation—The Cooperative previously established a regulatory asset relating to the deferral of DAEC depreciation expense until the extension of the plant operating license had been approved by the NRC. The operating license extension was approved in December 2010. Upon approval, the Cooperative began amortizing the assets over the remaining term of the operating license, which extends through 2034. This regulatory asset was derecognized and merged into the new DAEC unrecovered plant regulatory asset as of December 31, 2018.

10. PATRONAGE CAPITAL AND MEMBERS' EQUITY—OTHER

Net margin is allocated annually by the Cooperative's Board of Directors. A portion of net margin may be declared as a current patronage dividend payable. Non-current patronage capital allocations are scheduled to be distributed fifteen or forty years from the date of allocation. Patronage capital is eligible to be distributed to members in the form of patronage dividends in the future, as determined by the Board of Directors, and subject to certain restrictions in the Cooperative's Indenture and the Iowa Code.

At December 31, 2018 and 2017, members' equity—other consists of the following:

	2018	2017
Unallocated margin	$ 1,480,027	$ 15,876,863
Reserve for contingent losses	60,009,290	60,009,290
Statutory surplus	26,987,352	26,987,352
Contributed capital credits	40,681,044	39,136,457
	$ 129,157,713	$ 142,009,962

Reserve for contingent losses is an appropriation of unallocated margin by the Board of Directors. The Board of Directors appropriated $0 and $2,322,191 to reserve for contingent losses during the years ended December 31, 2018 and 2017, respectively. There is no statutory restriction of this equity.

In accordance with Iowa Code, the Board of Directors is required to allocate a portion of the current year's net margin to statutory surplus unless such is equal to or greater than thirty percent of total membership capital. No allocation to statutory surplus was required or approved by the Board of Directors in 2018 and 2017.

Members may elect to receive, as a current patronage dividend, their forty-year deferred patronage allocation on a discounted basis. The difference between the patronage allocated to the forty year deferral period and the cash distributed to the member on a discounted basis, as a result of the member election, is considered a contribution to capital. The increase in contributed capital credits as a result of such election by members was $1,544,587 and $3,614,274 during the years ended December 31, 2018 and 2017, respectively.

11. LONG-TERM DEBT AND LINES OF CREDIT

At December 31, 2018 and 2017, long-term debt consists of the following:

	2018	2017
FFB obligations, 1.945% to 7.541% due in quarterly principal and interest installments through 2045	$ 232,920,485	$ 248,619,685
RUS obligations, 5.50% to 5.875% due in monthly principal and interest installments through June 2031	5,777,877	6,093,165
CFC obligations, 3.75% to 5.00% due in quarterly principal and interest installments through June 2023	4,598,802	6,033,487
CoBank obligations, 3.86% to 5.02% due in quarterly principal and interest installments through March 2042	80,534,847	85,775,155
CoBank variable rate obligations, 4.60% to 4.66% due in monthly principal and interest installments through March 2032	6,316,071	6,769,518
CoBank variable rate credit facility borrowings, 3.5875% to 4.51% interest installments due monthly, principal due November 2, 2020	54,600,000	21,500,000
USDA and other economic development loans, 0% to 4.91% due in monthly principal and interest installments through November 2031	9,966,997	7,915,070
USDA economic development grants due upon termination of the rural economic development loan fund	3,075,000	3,075,000
Total long-term debt	397,790,079	385,781,080
Less current maturities	20,579,345	24,224,381
Total long-term debt—less current maturities	$ 377,210,734	$ 361,556,699

Scheduled maturities of long-term debt as of December 31, 2018, are as follows:

Years Ending December 31	Scheduled Maturities
2019	$ 20,579,345
2020	74,780,573
2021	20,267,964
2022	20,268,594
2023	19,733,826
Thereafter	242,159,777
Totals	$ 397,790,079

To provide for interim financing capabilities, the Cooperative has arranged revolving lines of credit. The Cooperative had available a $105,000,000 line of credit agreement with CoBank with $54,600,000 and $21,500,000 outstanding at December 31, 2018 and 2017, respectively. The Cooperative also had available a $40,000,000 revolving line of credit agreement with CFC with no borrowings outstanding at December 31, 2018 and 2017.

An Indenture of Mortgage, Security Agreement and Financing Statement, dated as of December 21, 2010 ("Indenture") between the Cooperative, as Grantor, to U.S. Bank National Association, as Trustee, as supplemented, provides the RUS, FFB, CFC, and CoBank as secured note holders a pro-rated interest in substantially all owned assets of the Cooperative.

The existing Indenture and certain other debt agreements contain provisions which, among other restrictions, require the Cooperative to maintain certain financial ratios. The Cooperative was in compliance with these financial ratios at December 31, 2018 and 2017.

12. INCOME TAXES

The Company's income tax expense (benefit) consists of the following for the years ended December 31, 2018 and 2017:

	2018	2017
Current:		
Federal	$ 262,716	$(112,467)
State	141,563	80,242
	404,279	(32,225)
Deferred:		
Federal	(42,876)	(82,574)
State	(25,463)	(32,440)
	(68,339)	(115,014)
Total income tax expense (benefit)	$ 335,940	$(147,239)

Income taxes for 2018 and 2017 differ from the expense (benefit) computed using the 21% statutory rate as follows:

	2018	2017
Expected tax at the statutory rate	$ 568,600	$ 5,398,133
State tax—net of federal effect	291,169	17,038
Tax-exempt income of cooperative	38,900	(5,354,886)
Unrelated business income tax	3,126	13,438
Other	(565,855)	(220,962)
	$ 335,940	$ (147,239)

Deferred tax assets and liabilities related to temporary differences between the financial statement bases and income tax bases of assets and liabilities at December 31, 2018 and 2017, are as follows:

	2018	2017
Deferred tax assets:		
Securities impairments	$ 895,324	895,324
Deferred compensation	59,462	79,283
Other	37,312	37,312
Total deferred tax assets	992,098	1,011,919
Deferred tax liabilities:		
Basis difference on fixed assets	763,597	822,779
Investment in partnerships	249,054	114,405
Unrealized gains on available-for-sale securities	357,658	521,284
Total deferred tax liabilities	1,370,309	1,458,468
Net deferred tax liability	$ 378,211	$ 446,549

The Company determined there is no material liability for unrecognized tax benefits under the provisions of ASC Topic 740, *Income Taxes*. The federal statute of limitations remains open for the years 2015 and forward. Generally, tax years 2014 and forward are subject to audit by state tax authorities depending on the tax code in each jurisdiction.

13. MULTI-EMPLOYER PENSION PLAN

The Cooperative participates in a multi-employer pension plan, Hawkeye Pension Plan, Employer Identification Number: 42-1438152 and Plan No. 001 (the "Plan") which covers substantially all employees. The Plan is intended to be qualified under Section 401 of the Internal Revenue Code. Its associated trust is intended to be tax-exempt under Section 501(a) of the Internal Revenue Code.

The risks of participating in multi-employer plans are different from single-employer plans in the following aspects: (a) assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers; (b) if a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the multi-employer plan may be borne by the remaining participating employers; and (c) special rules apply to an employer that withdraws from the multi-employer plan, requiring the withdrawing employer to pay to the multi-employer plan an amount based on the underfunded status of the multi-employer plan.

No zone status determination is required for the Plan under the Pension Protection Act of 2006, and therefore no zone status determination has been made. The following table demonstrates the Plan's funded status and the Company's contributions to the Plan as of and for the years ended December 31, 2018 and 2017:

Plan	EIN/Plan Number	Funded Status December 31, 2018	Funded Status December 31, 2017	Company Contributions 2018	Company Contributions 2017
Hawkeye Pension Plan	42-1438152/001	At least 80%	At least 80%	$ 1,577,000	$ 1,529,000

Certain of the Company's contributions to the Plan are for Cooperative employees represented by a union and covered under a collective bargaining agreement in effect at December 31, 2018. These contributions are made in accordance with the terms of the collective bargaining agreement, which requires contributions for these participants to be made in accordance with the Plan provisions. For the years ended December 31, 2018 and 2017, the Company's contributions exceeded 5% of the total contributions to the Plan by all participating employers.

14. COMMITMENTS AND CONTINGENCIES

Nuclear Insurance Program—Liability for accidents at nuclear power plants is governed by the Price-Anderson Act (the "Act"), which limits the liability of nuclear reactor owners to the amount of insurance available from both private sources and an industry retrospective payment plan. In accordance with the Act, DAEC maintains $450 million of private liability insurance, which is the maximum obtainable, and participates in a secondary financial protection system, which provides up to $13.6 billion of liability insurance coverage per incident at any nuclear reactor in the United States. Under the secondary financial protection system, DAEC is subject to retrospective assessments of up to $137.6 million ($27.5 million for the Cooperative), plus any applicable taxes, per incident at any nuclear reactor in the United States, payable at a rate not to exceed $20.5 million ($4.1 million for the Cooperative) per incident per year.

DAEC participates in a nuclear insurance mutual company that provides $2.75 billion of limited insurance coverage per occurrence for property damage, decontamination, and premature decommissioning risks at its site and a sublimit of $1.0 billion for non-nuclear perils. The proceeds from such insurance, however, must first be used for reactor stabilization and site decontamination before they can be used for plant repair. The Cooperative also participates in an insurance program that provides limited coverage for replacement power costs if DAEC is out of service for an extended period of time because of an accident. In the event of an accident at DAEC, the owners could be assessed up to $16.7 million ($3.3 million for the Cooperative), plus any applicable taxes, in retrospective premiums in a policy year.

In the unlikely event of a catastrophic loss at DAEC, the amount of insurance available may not be adequate to cover property damage, decontamination, and premature decommissioning. Uninsured losses, to the extent not recovered through rates, would be borne by the DAEC owners and could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

Power Purchase Agreements—The Cooperative has entered into long-term supply contracts to purchase energy and capacity from various wind, solar, and landfill gas generation resources totaling 415.5 MW with expiration dates between 2019 and 2045. Total purchases are based upon the energy generation output of the resources. Contract prices vary and escalate over the term.

Solar Generation Lease Agreements—CMAV has contracted for the long-term lease of six photovoltaic solar generation facilities interconnected across CIPCO's service territory totaling 6.4 MW of generation capacity. Annual operating lease payments total $749,000 and extend to 2030. All output of the solar facilities is sold to the Cooperative through intercompany power purchase agreements.

Capital Commitments and Commercial Guarantees—The Company has unfunded capital commitment agreements to certain private equity and hedge funds that may require additional investment. In addition, the Company has provided commercial guarantees to creditors of certain private equity investees. Unfunded capital commitments and commercial guarantees total $17,529,078 as of December 31, 2018.

15. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 28, 2019, which is the date the consolidated financial statements were available to be issued.

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